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Australia

Fresh Deciduous Fruit

Annual

2004

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Report Highlights:
The CY 2003 apple crop is estimated at an above average 340,000 metric tons, despite one of the worst droughts in recent history. The CY 2004 apple crop is forecast 18 percent lower than 2003. Much of the production decline originally forecast for 2003 is now expected to occur in 2004. The CY 2004 pear crop is forecast at 150,000 metric tons, down nine percent from the above average level achieved in 2003. Severe drought conditions have not affected prospects for the 2004 pear crop as they have for apples. Australia is currently in the process of reassessing the import ban on fresh apples (and pears).

Includes PSD Changes: Yes
Includes Trade Matrix: No
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SECTION ONE: SITUATION AND OUTLOOK

The calendar year (CY) 2003 apple crop is estimated at an above average level of 340,000 metric tons (MT), despite one of the worst droughts in recent history. This level of production surprised many analysts who were anticipating an average to below average crop. Post has revised the 2003 apple production estimate upwards in line with industry figures.

The CY 2004 apple crop is forecast at a below average 280,000 MT, as the production decline originally anticipated for CY 2003 is now forecast for the 2004 crop. Much of the irrigation water supply required for the 2004 crop was consumed in producing 2003 crop. Therefore, irrigation water supplies remain at below average levels, despite a return to more normal weather conditions. Industry sources report that many fruit trees suffered stress during the recent drought and that yield potential for CY 2004 has been negatively impacted.

The CY 2004 pear crop is forecast at an average level of 150,000 MT, down from the above average harvest in the previous year. Drought conditions in CY 2003 did not affect the pear crop to the extent that it did the apple crop. Furthermore, drought conditions in some pear producing regions were not as severe as in key apple producing areas.

Apple exports in 2004 are forecast to be down sharply due to the reduced size of the 2004 harvest and competition from other southern hemisphere producers. An appreciation in the value of the Australian currency is expected to reduce returns from exports. Australia bans apple imports because of diseases and insect pests of quarantine concern. A recent World Trade Organization dispute settlement case regarding Japanese import restrictions on apples because of fire blight could have an impact on the import ban.

Pear exports in 2004 are forecast down slightly from the year-earlier level. Pear imports are banned because of diseases and insect pests of quarantine concern.

SECTION TWO: STATISTICAL TABLES

Australia Fresh Apples							
	2001	**Revised**	**2002**	**Estimate**	**2003**	**Forecast**	*UOM*
	USDA Official [Old]	**Post Estimate [New]**	**USDA Official [Old]**	**Post Estimate [New]**	**USDA Official [Old]**	**Post Estimate [New]**	
Market Year Begin		01/2002		01/2003		01/2004	*MM/YYYY*
Area Planted	25000	25000	25000	25000	0	28000	*(HA)*
Area Harvested	0	0	0	0	0	0	*(HA)*
Bearing Trees	6400	6400	6500	6500	0	6600	*(1000 TREES)*
Non-Bearing Trees	3752	3752	3811	3811	0	3850	*(1000 TREES)*
Total Trees	10152	10152	10311	10311	0	10450	*(1000 TREES)*
Commercial Production	295000	320526	328000	340000	0	280000	*(MT)*
Non-Comm. Production	0	0	0	0	0	0	*(MT)*
TOTAL Production	295000	320526	328000	340000	0	280000	*(MT)*
TOTAL Imports	0	0	0	0	0	0	*(MT)*
TOTAL SUPPLY	295000	320526	328000	340000	0	280000	*(MT)*
Domestic Fresh Consump	128000	138000	135000	135000	0	120000	*(MT)*
Exports, Fresh Only	25393	25920	35000	33566	0	25000	*(MT)*
For Processing	141607	156606	158000	171434	0	135000	*(MT)*
Withdrawal From Market	0	0	0	0	0	0	*(MT)*
TOTAL UTILIZATION	295000	320526	328000	340000	0	280000	*(MT)*

Australia Fresh Pears							
	2001	Revised	2002	Estimate	2003	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2002		01/2003		01/2004	*MM/YYYY*
Area Planted	0	0	0	0	0	0	*(HA)*
Area Harvested	0	0	0	0	0	0	*(HA)*
Bearing Trees	1950	1950	1950	1950	0	1950	*(1000 TREES)*
Non-Bearing Trees	550	550	550	550	0	550	*(1000 TREES)*
Total Trees	2500	2500	2500	2500	0	2500	*(1000 TREES)*
Commercial Production	165000	145000	175000	165000	0	150000	*(MT)*
Non-Comm. Production	0	0	0	0	0	0	*(MT)*
TOTAL Production	165000	145000	175000	165000	0	150000	*(MT)*
TOTAL Imports	1000	1467	1000	2097	0	1500	*(MT)*
TOTAL SUPPLY	166000	146467	176000	167097	0	151500	*(MT)*
Domestic Fresh Consump	84000	70000	85000	85000	0	80000	*(MT)*
Exports, Fresh Only	18030	18472	21000	15331	0	15000	*(MT)*
For Processing	63970	57995	70000	66766	0	56500	*(MT)*
Withdrawal From Market	0	0	0	0	0	0	*(MT)*
TOTAL UTILIZATION	166000	146467	176000	167097	0	151500	*(MT)*

SECTION THREE: NARRATIVE ON SUPPLY AND DEMAND, POLICY & MARKETING

Apples

Production

Australia's apple production in calendar year (CY) 2004 is forecast at 280,000 metric tons (MT), down 18 percent or 60,000 MT from the previous year. This level of production is considered historically low and below the five-year average figure. A steady return to a more normal weather pattern has improved the outlook for the 2004 season; however, irrigation water supplies and soil moisture levels in many producing regions remain below normal. Furthermore, industry sources report that the earlier drought stressed trees and is expected to lower yield potential for the 2004 crop.

Apple production in CY 2003 is estimated at 340,000 MT, up from Post's previous forecast of 305,000 MT. Widespread drought conditions and isolated incidents of hail failed to trim production. This production figure is well above the five-year average level of about 300,000 MT. Industry sources report that improved water management practices together with the consumption of irrigation water reserves in some regions abated a drop in production. Also, the lack of humidity associated with the drought reduced the incidence of pest and disease outbreaks.

The large size of the 2003 crop took many analysts by surprise. Some industry sources report that trees in the worst drought affected areas overproduced fruit as part of a reproductive reaction to the dry conditions, boosting production. Also, despite isolated (but extreme) hail incidents and the drought, the apple crop remained free of any other forms of extreme weather that could otherwise have affected productivity.

Industry sources report that water shortages in 2003 negatively impacted the quality of the 2003 crop. In particular, a commonly experienced problem has been a significantly reduced shelf life of apples. Sources attribute this quality problem to water shortages experienced during the growing season.

Post has revised apple production for CY 2002 upwards slightly to 320,526 MT, in line with the official Australian Bureau of Statistics (ABS) figure.

Apples are grown commercially in all of Australia's states and territories, except the Northern Territory. According to a recent ABS agricultural survey, Victoria is the largest producing state, with about 36 percent of national production, followed by New South Wales (20%), Tasmania (17%), Western Australia (11%), South Australia (9%), and Queensland (7%). Australia's major apple varieties have traditionally been Granny Smith and Red Delicious, which still constitute over 50 percent of national apple production. Gala, Fuji, Cripps Pink (Pink Lady) and Cripps Red (Sundowner) account for about one-third of production, and are growing in importance. Apples grown in temperate regions of Australia are irrigated.

Consumption

Official up-to-date consumption figures for apples are unavailable. Historical data show domestic fresh consumption of apples roughly equal to that destined for processing. Consumption and processing figures quoted by Post are derived from total supply less exports.

Australia's apple consumption in CY 2004 is forecast at 120,000 MT, down from the 135,000 MT estimated in the previous year.

Trade

Exports: Australia's apple exports in CY 2004 are forecast at 25,000 MT, substantially below the revised export estimate for the previous year. A smaller forecasted 2004 crop and increased competition from other southern hemisphere countries are expected to trim exports. In addition, a significant appreciation of the Australian dollar is expected to significantly reduce prices received for exports. Industry sources expect that the stronger Australian dollar, combined with strong domestic demand, will divert supplies away from export toward the domestic market.

Exports for CY 2003 are estimated at 33,566 MT, revised upwards from the prior forecast of 25,000 MT. ABS export figures for January to September 2003 show a 29 percent surge in exports over the year-earlier period.

The United Kingdom was a major destination for Australian apples in the 1970's. However, with the entry of the UK into the European Union, this export market declined significantly. Australia now focuses most export market promotion efforts at markets in Japan and elsewhere in Asia. India is now Australia's largest export market and shipments to India have been the bright spot in apple export performance. Red Delicious out of Tasmania dominates Australia's apple shipments to India.

Australia: Fresh Apple Exports, Calendar Years 2000-2002

Country	2000	2001	2002
India	3,578	5,495	5,244
Malaysia	10,070	7,749	5,224
Sri Lanka	4,211	2,975	3,639
Singapore	5,109	3,920	2,848
United Kingdom	3,188	3,369	2,234
Bangladesh	2,079	2,355	1,381
Taiwan	1,921	1,382	1,327
Indonesia	1,414	968	739
Hong Kong	1,428	1,510	577
Papua New Guinea	598	492	459
Others	2,782	3,642	2,248
Total	36,378	33,857	25,920

Source: Australian Bureau of Statistics. (Metric tons)

Imports: Australia bans apple imports because of diseases and insect pests that are of quarantine concern. Of principal concern for Australia is fire blight, a plant pathogen that is present in many apple producing countries (including the United States), but not in Australia. Australia has banned apple imports from New Zealand since 1921, largely due to concerns associated with the potential entry of fire blight into Australia. In recent years, New Zealand made formal applications to Australia to allow apple imports, first in 1989 and again in 1995. Both applications were rejected by Australia largely over concerns with the introduction of fire blight.

In January 1999, New Zealand again made a formal application to Australia to consider the importation of apples. In October 2000, Australia (Biosecurity Australia) released a draft

Import Risk Analysis (IRA) for New Zealand apples, which again highlighted Australia's concern with fire blight, but did outline a proposed series of conditions under which access could be granted. New Zealand viewed these conditions as unnecessarily onerous and scientifically unjustifiable, specifically arguing that based on available scientific evidence, fire blight cannot be transmitted via trade in mature, commercially produced apples free from trash, i.e., leaves and branches. New Zealand has stated in the past that they may seek a formal World Trade Organization (WTO) dispute settlement case against Australia.

The United States pursued a WTO dispute settlement case regarding Japanese import restrictions on apples because of fire blight. In July 2003, the panel in this case concluded that Japan's quarantine measures for fire blight disease were inconsistent with the WTO Agreement on Sanitary and Phytosanitary Measures. The panel found, among other things, that on the information presented, there is not sufficient scientific evidence that apple fruit are likely to serve as a pathway for the entry, establishment or spread of fire blight within Japan. Japan subsequently appealed this decision and the appeal proved largely unsuccessful.

The release of a final IRA for Australia's apple imports from New Zealand is still pending. According to Australia's Agriculture Minister, the WTO panel's findings in the Japanese case, including the scientific conclusions relating to fire blight, will be considered as part of the IRA Australia is conducting for New Zealand apples. The Minister is also quoted as saying that Australia's import prohibition on New Zealand apples will remain in place, at least until the IRA is finalized.

The United States is also very interested in gaining access to Australia's apple market. Like New Zealand, U.S. access into the Australian market is now denied largely because of the presence of fire blight in the United States. A final IRA permitting New Zealand apples access to Australia would be favorable for future U.S. access.

Free Trade Agreements: Australia and Thailand reached agreement on a free trade agreement (FTA) in October 2003, which is expected to go into effect in January 2005. Under the FTA, Australia will gain duty-free access to the Thai apple and pear market. The United States and Australia are currently in the process of negotiating an FTA.

Stocks

Official statistics for apple industry stocks are unavailable.

The Government of Australia does not subsidize the holding of stocks. Post believes that stock levels mostly reflect commercial conditions.

Industry sources suggest that the low shelf life problems experienced for the CY 2003 crop is responsible for the historically low stock levels at the time of writing of this report.

Marketing

Apple and Pear Australia Limited (APAL), a non-profit public company, is the peak industry body representing the interests of Australia's 2,000 commercial apple and pear growers. APAL's major concerns are legislation and regulations affecting the industries, marketing, and research and development. APAL replaced the previous Australian Apple and Pear Growers Association Inc. (AAPGA).

Horticulture Australia Limited (HAL) is owned by its members, who comprise of 28 horticultural industries (including apples and pears) and is funded through a statutory levy system. Apple and pear growers pay statutory levies of A1.53 cents per kilogram and A1.64 cents per kilogram, respectively. For levies used for research and development, the Commonwealth government provides matching funds on a one-to-one basis. The levy funds for the apple and pear industries are managed through the apple and pear Industry Advisory Committee (IAC). About A$4 million is collected through the apple and pear levies.

The majority of Australia's apple and pear exports are marketed under the "AUSTRALIAfresh" brand. The AUSTRALIAfresh promotional campaign for the 2003 season is funded with A$565,000 in industry funds and about A$150,000 in contributions from exporters. This brand is also used for Australia's other horticultural exports.

Pears

Production

Pear production is forecast at 150,000 MT for CY 2004, down 15,000 MT from the previous year and well below an average production level. Despite a steady return to more normal rainfall conditions and improved soil moisture levels, frost and hail events early in the season have trimmed expectations for the CY 2004 crop. Furthermore, irrigation water supplies that were greatly depleted during the drought have yet to fully recharged. A shortage of irrigation water is expected to be the primary constraint for production in CY 2004.

Post estimates pear production in CY 2003 at 165,000 MT, slightly the previous estimate, but above the five-year average of about 155,000 MT. Despite drought conditions experienced during CY 2003, irrigation water supplies were readily consumed in the grow-out of the 2003 crop. In addition, drier than normal conditions, significantly reduced the usual pressure from pests and diseases. Industry sources report higher than normal fruits per tree, which is also believed to be the result of the dry conditions.

Industry sources report that pear quality in 2003 suffered considerably from a low prevalence of "russet" on the Bosc variety. Russet provides the Bosc pear with its unique appearance. Industry funded promotional campaigns advised consumers the absence of "russet" did not negatively impact eating quality, but merely the appearance of the fruit.

Pear production in CY 2002 is estimated at 145,000 MT, which is in line with official ABS statistics. Mixed weather conditions, such as heavy rainfall in the blossoming phase followed by a hot and dry finish, did much to trim output of the crop. The 145,000 MT crop represents the lowest production level since 1998, when only 130,000 MT of pears were harvested.

According to a recent ABS survey, the State of Victoria accounts for about 88 percent of the national commercial pear crop, most of which comes from the Goulburn Valley. Western Australia produces about 6 percent of the national crop and South Australia an additional 4 percent. Minor quantities are also produced in New South Wales, Queensland and Tasmania. Australia's pear production is dominated by varieties such as Packham, Williams and Beurre Bosc, which account for over 90 percent of national production. There is considerable interest in new pear cultivars, particularly for export.

Consumption

The bulk of Australia's pear crop is consumed domestically. Australia's pear consumption in CY 2004 is forecast at 80,000 MT, down from the estimated 85,000 MT consumed in the previous year.

Official up-to-date consumption figures are unavailable. Post derives consumption figures from production and exports.

Trade

Exports: Pear exports for CY 2004 are forecast at 15,000 MT, down slightly on the revised estimate for the previous year. The smaller 2004 pear crop is expected to be balanced by an anticipated improvement in quality, which should result in only slightly lower export volume. In 2002, Australia's pear exports were valued at A$23.6 million.

Australia: Fresh Pear Exports, Calendar Years 2000-2002

Country	2000	2001	2002
Singapore	6,750	4,524	4,631
Malaysia	4,955	4,872	4,018
Indonesia	2,543	2,140	3,016
Canada	751	646	1,811
New Zealand	1,336	1,202	1,647
Hong Kong	2,535	1,576	851
Belgium-Lux.	24	76	422
India	174	250	322
Italy	0	64	232
Taiwan	37	17	142
Others	1,473	1,510	1,380
Total	20,578	16,877	18,472

Source: Australian Bureau of Statistics. (Metric tons)

Imports: Australia bans the importation of pears because of diseases and insect pests of quarantine concern. A primary concern for pear imports is fire blight (see the discussion on this topic in the Apple Trade section.)